

## Message Text

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ACTION CU-04

INFO OCT-01 EUR-12 ISO-00 SCA-01 L-03 EB-07 COME-00 USIA-15

CIAE-00 INR-07 NSAE-00 /050 W  
----- 084257

R 181525Z JUN 75

FM AMEMBASSY LUXEMBOURG  
TO SECSTATE WASHDC 4474

UNCLAS LUXEMBOURG 0458

E.O. 11652: N/A

TAGS: OEXC, CASC, LU

SUBJ: STUDENT OVERSEAS SERVICES (SOS)

REF: LUXEMBOURG 0384

SUMMARY: AS PREDICTED IN REFTTEL, COMPANY HAS SERIOUSLY OVEREXTENDED ITSELF AND IS NOW UNABLE TO PROVIDE JOBS FOR MANY OF THE AMERICAN STUDENTS WHO PAID ITS JOB-PLACEMENT FEES AND ARE BEGINNING TO ARRIVE IN EUROPE. HOWEVER, POST'S WARNINGS REGARDING COMPANY'S UNRELIABILITY ARE TAKING EFFECT AND LARGE NUMBERS OF STUDENTS WHO WOULD OTHERWISE BE STRANDED HERE ARE CANCELLING PLANS OR ARRIVING PREPARED FOR SITUATION. POST IS ASSISTING THOSE WHO DO ARRIVE AND HAS TAKEN QUESTION UP WITH LEGAL SECTION OF MFA. END SUMMARY.

1. HAVING LOST ITS GAMBLE ON AN EARLY UPTURN OF THE EUROPEAN ECONOMY AND AVAILABILITY OF TEMPORARY WORK PERMITS FOR AMERICAN STUDENTS, SOS NOW FACES INFLUX OF STUDENTS FROM WHOM IT ACCEPTED JOB-PLACEMENT FEES BUT FOR WHOM IT HAS NO JOBS. COMPANY OFFICIALS INSIST THAT SITUATION COULD NOT HAVE BEEN FORESEEN AND THAT PLACEMENT FEES WERE ACCEPTED IN GOOD FAITH. HOWEVER, THEY STRESS THAT WHILE COMPANY GENUINELY HOPED TO FIND JOBS FOR ALL WHO PAID ITS FEES, IT NEVER LEGALLY COMMITTED ITSELF IN CONTRACTS TO DO SO. THUS, THEY REJECT ANY SUGGESTIONS OF MISLEADING STUDENTS BUT REFUSE TO REFUND FEES, AND DISCLAIM ANY FINANCIAL  
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RESPONSIBILITY FOR CLIENTS WHO MAY BE STRANDED HERE AS A

RESULT OF SHORTFALL OF JOBS.

2. NEVERTHELESS, COMPANY RECOGNIZES THAT SITUATION IS SERIOUS AND IS NOW PREPARED TO COOPERATE WITH EMBASSY IN WARNING STUDENTS FOR WHOM IT KNOWS THERE WILL NO JOBS NOT TO DEPART US. AFTER IT WAS UNABLE TO PROVIDE JOBS FOR MORE THAN 50 PERCENT OF FIRST GROUP TO ARRIVE, COMPANY FINALLY AGREED TO SEND LETTER TO ALL CLIENTS FRANKLY ADMITTING SITUATION AND WARNING THEM NOT TO DEPART US WITHOUT OBTAINING POSITIVE INDIVIDUAL JOB CONFIRMATIONS.

3. MORE EFFECTIVE IN REDUCING NUMBER OF STUDENTS ACTUALLY STRANDED HERE HAS BEEN POST'S OWN EFFORT TO WARN OF COMPANY'S UNRELIABILITY. CANCELLATIONS -- CURRENTLY RUNNING AT 40 PERCENT -- ARE SUBSTANTIALLY REDUCING THE IMMEDIATE PROBLEM, THOUGH NOT ELIMINATING IT.

4. ON MAY 30 AND JUNE 6, CONSULAR OFFICER DISCUSSED LONGER-TERM PROBLEM WITH OFFICIALS IN LEGAL SECTION OF FOREIGN MINISTRY AND RECOMMENDED THAT LUXEMBOURG GOVERNMENT REVIEW COMPANY'S BUSINESS LICENSE. WHILE WELL AWARE OF PROBLEM, OFFICIALS REPLIED THAT DECISION TO WITHDRAW LICENSE MIGHT BE LENGTHY AND COMPLICATED. HOWEVER, EMBASSY SUBSEQUENTLY DISCOVERED THAT COMPANY OFFICIALLY OPERATES IN LUXEMBOURG ONLY AS "CULTURAL INSTITUTION" AND IS NOT IN FACT LICENSED TO TRANSACT BUSINESS. THIS HAS NOW BEEN BROUGHT TO ATTENTION OF LUXEMBOURG GOVERNMENT WITH RECOMMENDATION THAT RESTRICTION BE STRICTLY ENFORCED AND COMPANY NOT BE ALLOWED TO ACT AS JOB-PLACEMENT AGENCY IN FUTURE.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CITIZEN PROTECTION, TOURISM, EMPLOYMENT SERVICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LUXEMB00458  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750212-0851  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION CU  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 LUXEMBOURG 0384  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 OCT 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 OCT 2003 by PhilliR0>; APPROVED <09 JAN 2004 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** STUDENT OVERSEAS SERVICES (SOS)  
**TAGS:** OEXC, CASC, LU  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006